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2001HANOI02634 - UNCLASSIFIED

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ACTION EAP-00

INFO	LOG-00	AID-00	CEA-01	CIAE-00	CTME-00	DODE-00	ITCE-00
	SRPP-00	EB-00	EXME-00	E-00	UTED-00	VC-00	FRB-00
	H-01	TEDE-00	INR-00	ITC-01	LAB-01	MOFM-05	MOF-03
	AC-01	NSAE-00	NSCE-00	OES-01	OMB-01	OPIC-01	PM-00
	ACE-00	SP-00	IRM-00	STR-00	TEST-00	USIE-00	PMB-00
	DRL-02	G-00	NFAT-00	SAS-00	/018W		

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FM AMEMBASSY HANOI
TO SECSTATE WASHDC PRIORITY 4347
INFO AMCONSUL HO CHI MINH CITY
ASEAN COLLECTIVE
USDOC WASHDC
USDA WASHDC
DEPTTREAS WASHDC

UNCLAS SECTION 01 OF 02 HANOI 002634

SIPDIS

STATE ALSO PASS USTR

E.O. 12958: N/A

TAGS: [ETRD](#) [KTEX](#) [VM](#)
SUBJECT: VIETNAM LABELLING: MADE IN WHEREVER -- RESPONSE

REF: A) STATE 163735

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B) HO CHI MINH CITY 833

1. WE RAISED OUR CONCERNS OVER RECENT REPORTS THAT VIETNAM HAD SUSPENDED THE APPLICATION OF COUNTRY OF ORIGIN LABELING REQUIREMENTS IN ITS NEW LABELING LAW WITH MINISTRY OF TRADE (MOT) VICE MINISTER LUONG VAN TU IN LATE SEPTEMBER; MOT INDICATED THEY WOULD REVIEW OUR REQUEST. WE STRESSED THAT THE ORIGINAL REGULATION WAS A POSITIVE STEP FOR VIETNAM AND HELPED ASSURE THAT DOMESTIC REGULATIONS PREVENTED ABUSES BY ILLEGAL TRANSSHIPPERS OR OTHER TYPES OF FRAUD. PER REF A, WE URGED VIETNAM TO RESCIND THE SUSPENSION AND RESTORE THE REGULATION TO ITS ORIGINAL EFFECTIVENESS.

2. WE WERE ABLE TO FOLLOW UP WITH VICE MINISTER TU DURING THE RECENT VISIT OF EAP/BCLTV DIRECTOR JUDITH STROTZ (SEPTEL). TU SAID THIS WAS AN ISSUE WITH WHICH HE WAS VERY FAMILIAR AS IT WAS UNDER HIS DIRECT SUPERVISION. THE REQUIREMENT THAT ALL EXPORTED GOODS BE LABELED "MADE IN VIETNAM" HAD BEEN SUSPENDED ONLY FOR A LIMITED NUMBER OF COMPANIES PRODUCING GOODS IN EXPORT-PROCESSING ZONES UNDER SPECIFIC CONTRACTS THAT PREDATED THE NEW LAW. HE NOTED THAT THE SUSPENSION OF THE REQUIREMENT HAD BEEN APPROVED BECAUSE THESE COMPANIES HAD COMPLAINED THAT THEIR EXISTING PRE-LABELING LAW CONTRACTS REQUIRED THEM TO DELIVER PRODUCTS WITHOUT THE LABELS, AND THUS REQUESTED THE CONTRACTS BE GRANDFATHERED. HOWEVER, TU STRESSED THIS SUSPENSION OF THE REQUIREMENTS WOULD ONLY APPLY TO PRODUCTS DELIVERED UNDER THESE CONTRACTS AND ONLY UNTIL THE CONTRACTS WERE FULFILLED. ANY NEW CONTRACTS THESE COMPANIES CONCLUDED WITH FOREIGN BUYERS WOULD NEED TO COMPANY WITH THE NEW LABELING REQUIREMENTS. TU EMPHASIZED THAT VIETNAM, AND HE

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PERSONALLY, IS VERY SERIOUS ABOUT FIGHTING COMMERCIAL FRAUD.

3. ECON/C SOUGHT CLARIFICATION AND ASSURANCES FROM TU THAT SUSPENSION APPLIED ONLY TO THOSE FEW CASES AND THAT ONCE SUSPENSION RAN OUT, VIETNAM WOULD NOT EXTEND IT OR APPROVE ANY MORE SHIPMENTS OF PRODUCTS WITHOUT PROPER LABELING. TU CONFIRMED THAT THIS WAS THE CASE.

4. IN SEPARATE CONVERSATIONS, HOWEVER, WITH THE DIRECTOR OF MOT'S QUALITY MANAGEMENT AND MEASUREMENT DEPARTMENT, MR. LE MINH TAM, WE WERE PROVIDED A DIFFERENT DESCRIPTION OF THE POLICY CHANGE. (NOTE: MOT'S QUALITY MANAGEMENT AND MEASUREMENT DEPARTMENT, WHICH REPORTS TO VICE MINISTER TU, HAS DIRECT REGULATORY JURISDICTION OVER THE COUNTRY-OF-ORIGIN LABELING ISSUE. END NOTE). ACCORDING TO TAM, THE ORDER ISSUED BY THE PRIME MINISTER SUSPENDING THE LABELING REQUIREMENT ALLOWS VIETNAM CUSTOMS TO WAIVE THE COUNTRY-OF-ORIGIN LABELING REQUIREMENT ON EXPORTED GOODS FROM ANY

COMPANY THAT REQUESTS SUCH A WAIVER. THE PM'S ORDER, ACCORDING TO TAM, DOES NOT LIMIT APPLICATION OF THE WAIVER TO ANY SPECIFIC COMPANIES, PRODUCTS OR CONTRACTS. HE DID CONFIRM THAT THE PM'S ORDER EXTENDED THE AUTHORITY TO WAIVE THE RULES ONLY THROUGH DECEMBER 31, 2002. TAM DECLINED TO PROVIDE EMBASSY A COPY OF THE PM'S ORDER, ASSERTING IT WAS NOT A PUBLIC DOCUMENT, BUT ONLY AN INTERAGENCY COMMUNICATION.

15. WHEN WE POINTED OUT THE INCONSISTENCIES BETWEEN WHAT TAM AND VICE MINISTER TU HAD TOLD US, TAM ACKNOWLEDGED THERE WAS CONFUSION OVER HOW THE WAIVERS SHOULD BE APPLIED. HE NOTED MOT HAD NOT FORESEEN MANY OF THE ISSUES THE WAIVER HAD

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RAISED AND WAS TAKING ANOTHER LOOK AT THE ISSUE. WHEN WE FURTHER NOTED THAT THE LACK OF TRANSPARENCY AND CONSISTENCY IN THE APPLICATION OF THE RULES WAS IN CONTRADICTION WITH VIETNAM'S BTA OBLIGATIONS, TAM ADMITTED THE RULE WOULD NOT WITHSTAND SCRUTINY ONCE THE BTA WAS IMPLEMENTED AND IT WOULD LIKELY NEED TO BE WITHDRAWN AT THAT TIME.

16. SEPARATELY, ON A RECENT VISIT TO HAIPHONG'S EXPORT PRODUCTION ZONES, ECON/C HAD AN OPPORTUNITY TO RAISE THIS ISSUE WITH A NUMBER OF FIRMS PRODUCING FOOTWEAR AND TEXTILES AND THEIR STATEMENTS ECHOED WHAT WE HEARD FROM TU. THEY WERE CLEARLY AWARE OF THE LAW AND THE TEMPORARY SUSPENSION IN SOME LIMITED CASES. SOME FIRMS' PRODUCTS WERE LABELED, SOME WEREN'T, ALTHOUGH ALL THE FIRMS STATED THAT PER LOCAL LAW, THE CERTIFICATES OF ORIGIN CLEARLY INDICATED VIETNAM AS THE SOURCE OF THE PRODUCTS.

17. THE EXPORT FIRM MANAGERS WERE VERY OPEN AND UP FRONT ABOUT THE LABELING REQUIREMENTS OF THEIR FOREIGN CONTRACTORS. ONE PRIVATE VIETNAMESE-TAIWANESE JOINT VENTURE WAS PRODUCING FOOTWEAR FOR DEBENHAM'S DEPARTMENT STORE IN THE UK AND ALL SHOES AND BOXES WERE CLEARLY LABELED "MADE IN VIETNAM". THE MANAGER CONFIRMED THAT THE LABELS WERE A SPECIFIC REQUIREMENT BY THE IMPORTER AND WERE SUPPLIED BY THE FOREIGN PRODUCTION PARTNER. A SECOND SOE-TAIWAN JOINT VENTURE WAS EXPORTING TO SHOES TO THE TAIWANESE MARKET - SANS LABELS PER THE CONTRACTOR'S REQUIREMENT. ANOTHER JOINT

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VENTURE TEXTILE FIRM WAS PRODUCING HIGH-QUALITY KNITWEAR UNDER THE BRAND NAME "BETTY BARCLAY" WHICH WAS APPARENTLY INTENDED FOR THE GERMAN MARKET (ACCORDING TO THE ATTACHED BRAND LABELS) BUT NO WHERE WAS LABELED "MADE IN VIETNAM", NOT EVEN ON THE SHIPPING BOXES WHICH WERE ADDRESSED TO THE CONTRACTOR IN TAIWAN.

18. COMMENT: TU'S ASSURANCES THAT THE SUSPENSION OF THE RULE APPLIED ONLY TO GRANDFATHERING SEVERAL EXISTING CONTRACTS FOR A STRICTLY LIMITED PERIOD WERE WELCOME IF ACCURATE, BUT OUR CONVERSATIONS WITH MOT STAFF RAISE SERIOUS QUESTIONS ABOUT HOW THE RULES ARE ACTUALLY BEING APPLIED. WE WILL CONTINUE TO PRESS MOT FOR A CLEAR EXPLANATION AND ASSURANCES THAT THE WAIVER OF THE COUNTRY-OF-ORIGIN REQUIREMENT WILL BE TERMINATED ASAP.

PORTER

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